

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-563

November 5, 2002

NETEL, INC.
Petition for Finding of Public Convenience and
Necessity to Provide Service as a Switchless
Reseller Interexchange Telephone Utility

ORDER GRANTING
AUTHORITY TO PROVIDE
INTEREXCHANGE
SERVICE AND APPROVING
SCHEDULE OF RATES AND
TERMS AND CONDITIONS

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

In this Order, the Commission grants Netel, Inc. (Company) the authority to provide interexchange service as a switchless reseller throughout the State of Maine and approves the Company's Terms and Conditions and Rate Schedules, Pages 1 through 12 Originals. Pursuant to Chapter 280, §§ 11 and 12, we exempt Netel, Inc. from the requirements of Chapter 210, *Uniform System of Accounts*, and 35-A M.R.S.A. §§ 707 and 708, subject to the conditions described below.

I. APPROVAL OF APPLICATION TO SERVE

On November 19, 2002, pursuant to 35-A M.R.S.A. §§ 2102 and 2105, Netel, Inc. applied for authority to provide interexchange service in Maine. Before we grant approval under § 2102 for another public utility to provide service, 35-A M.R.S.A. § 2105 requires us to find that the public convenience and necessity require another utility to provide service in a location where a utility is already authorized to provide, or is providing, the same or similar service.

The Telecommunications Act of 1996, 47 U.S.C. § 253(a), states:

(a) In General. No State or local statute or regulation, or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate or intrastate telecommunication service.

47 U.S.C. § 253(b) states, however:

(b) State Regulatory Authority. Nothing in this section shall affect the ability of a State to impose, on a competitively neutral basis and consistent with section 254, requirements necessary to preserve and advance universal service, protect the public safety and welfare, ensure the continued quality of

telecommunications services, and safeguard the rights of consumers.

We find that granting Netel, Inc. the authority to provide interexchange services in Maine will not impede the preservation or advancement of the public interest goals or policies stated in section 253(b). In addition, Netel, Inc.'s application provides reasonable information indicating that its financial and management capabilities are adequate to provide local and interexchange services in Maine.

II. SERVICE TERRITORY

Netel, Inc. has requested authority to provide interexchange service throughout the State. We grant that authority.

III. APPROVAL OF TERMS AND CONDITIONS AND RATE SCHEDULES

We allow the terms and conditions proposed by Netel, Inc. to go into effect. We have reviewed the Company's petition, terms and conditions, and rate schedules, and they appear to comply with Maine law and the Commission's Rules. Nevertheless, if there is any conflict between a provision in Netel, Inc.'s terms and conditions and the Commission's Rules or a statute, the rule or statute will control.

In general, a competitive telecommunications market results in services and rates that benefit the public. The acceptability of Netel, Inc.'s services and rates in the market place provides an adequate test of the reasonableness of the Company's rates. Accordingly, we allow the rates proposed by Netel, Inc. to go into effect.

IV. PAYMENT OF ACCESS CHARGES

The Commission grants authority to Netel, Inc. to provide interexchange service as a switchless reseller.¹ Our approval of Netel, Inc.'s application to provide interexchange service in Maine is conditioned on the payment of access charges to local exchange carriers (LECs) who have on file with the Commission approved access charge rate schedules. To the extent that Netel, Inc. provides facilities-based interexchange service, it must pay access charges directly to local exchange carriers. If Netel, Inc. begins to provide facilities-based interexchange service, it shall notify the Commission and all LECs from which it obtains access, as required by the ordering paragraphs.

¹We define switchless resellers as entities which do not own, lease, or control any switching facilities, or private lines, that it will use to provide telecommunication services in Maine. A reseller who owns a switch in another state, and plans to use that switch to switch or carry Maine traffic, is a facilities-based interexchange carrier. A reseller who does not own facilities in Maine or any other state, or who owns facilities in another state but does not plan to use that switch to carry Maine traffic, is a switchless reseller.

Netel, Inc. states that at present it will be offering service only as a switchless reseller. Switchless resellers do not pay access charges to local exchange carriers. Instead, access charges are paid by an underlying facilities-based interexchange carrier. As a condition of granting authority to a switchless reseller to provide intrastate service in Maine, Netel, Inc.'s underlying facilities-based carrier must also have authority to provide intrastate service in Maine. Netel, Inc. has stated that AT&T, MCI and Sprint will be the underlying carrier from which it purchases interexchange services that it resells. AT&T, MCI and Sprint is authorized by the Commission to provide intrastate facilities-based interexchange service and must pay access charges for the intrastate interexchange services it sells to switchless resellers providing interexchange service in Maine. If Netel, Inc. begins to use another carrier or carriers, those carriers must be authorized to provide intrastate facilities-based interexchange service, and Netel, Inc. shall notify the Commission and all local exchange carriers that it uses for the provision of access services as required by the ordering paragraphs.

V. WAIVERS; REPORTING REQUIREMENTS

Pursuant to sections 11(A) and 12(A) of Chapter 280, Netel, Inc. is exempt from Chapter 210 of the Commission's Rules, which governs telephone utility accounting and annual financial reports, and from 35-A M.R.S.A. §§ 707 and 708, which governs approvals for reorganizations and contracts with affiliated interests. Pursuant to sections 11(A) and 12(A) of Chapter 280, which govern carriers' interexchange activities, Netel, Inc. is exempt from Chapter 210 of the Commission's Rules, which governs telephone utility accounting and annual financial reports, and from 35-A M.R.S.A. §§ 707 and 708, which govern approvals for reorganizations and contracts with affiliated interests. Because Netel, Inc.'s rates and operations are likely to be subject to market forces, we do not see any present need to subject the Company to those requirements.

However, as required by Chapter 280, § 11(A), Netel, Inc. must report its annual intrastate gross operating revenues, its revenues derived from sales to other carriers, its annual intrastate minutes of use for the purpose of determining its regulatory assessment, and such other information requested by the Commission.² If Netel, Inc. resells service to other facilities-based or switchless telephone service providers, the Company must maintain its records in a way that it is able to separately identify those sales. Pursuant to Chapter 280, § 11(B), the Company

shall maintain records sufficient to identify and to allow auditing of traffic volumes, intrastate interexchange billings for both retail and wholesale services, and all information that is necessary to calculate access or interconnection charges in

²The Commission mails the annual reporting forms to carriers in January of each year. The completed forms are due by April 1 of each year.

accordance with this Chapter. Those records shall be maintained for a minimum of 2 calendar years.

The exemptions from the affiliated interest approval requirements of 35-A M.R.S.A. §§ 707 and 708 granted by Chapter 280, § 12(A) are subject to the notice requirements contained in Chapter 280, § 12(B) and (C) and in the ordering paragraphs below. Netel, Inc. shall inform the Commission of any changes to its corporate structure and ownership and of any changes in the name under which it does business, as set forth in the ordering paragraphs below. If necessary, it shall also refile its rate schedules and terms and conditions to reflect its new identity.

VI. OTHER REQUIREMENTS

Netel, Inc. shall comply with all applicable rules of the Commission and statutes of the State of Maine, including the customer notification rule described in Ordering Paragraph 8.

VII. ORDERING PARAGRAPHS

Accordingly, we

1. Grant, pursuant to 35-A M.R.S.A. §§ 2102 and 2105, the request of Netel, Inc. to provide interexchange service throughout the State of Maine;
2. Approve Netel, Inc.'s proposed Terms and Conditions and Rate Schedules Pages 1 through 12 Originals. These Schedules shall become effective on the date of this Order.
3. Order that Netel, Inc., or an underlying facilities-based interexchange carrier authorized to provide interexchange service in Maine, pay interexchange access charges as required pursuant to approved access rate schedules filed by local exchange carriers;
4. Direct that Netel, Inc. shall notify each local exchange carrier in whose service area it intends to originate or terminate calls the date on which it will commence service if it will be providing facilities-based interexchange service, as defined in this Order;
5. Direct that Netel, Inc. shall notify the Commission and all local exchange carriers from which it obtains access services of any change in its underlying carrier within 30 days following the change if it is providing resold interexchange service. Any underlying carrier used by Netel, Inc. must have the authority to provide intrastate interexchange service in Maine. Netel, Inc. shall immediately inform the Commission and all local exchange carriers in the State of Maine from which Netel, Inc. will be purchasing access services if there is any change in its operations that will result in its carrying, switching, or any processing of any of its own traffic, at which time Netel, Inc. shall begin to pay access charges directly to

those local exchange carriers that have approved access charge schedules on file with the Commission;

6. Exempt Netel, Inc. from the requirements of Chapter 210 of the Commission's Rules, except that it must report certain revenue and minutes of use information, as required by Chapter 280, § 11(A), on or before April 1 of each year;

7. Exempt Netel, Inc. from approval requirements of 35-A M.R.S.A. §§ 707 and 708, but shall provide notice to the Commission of any reorganization, as defined in 35-A M.R.S.A. § 707(1)(A), that results in a merger, sale or transfer of a controlling interest of or of any entity that owns more than 50% of Netel, Inc.. The notice required by this subsection shall be filed within 10 days following any reorganization described herein, as required by Chapter 280, § 12(B). As required by Chapter 280, § 12(C), Netel, Inc. shall also provide notice of any other changes in the name under which it does business (d/b/a), any change of the location of its business office, and change of its contact person. Netel, Inc. shall provide the Administrative Director of the Commission with notice of any of the changes described within 30 days following the change. If necessary, Netel, Inc. shall amend its rate schedules and terms and conditions to reflect any change in identity; and

8. Direct that Netel, Inc. shall comply with all applicable rules of the Commission, including the requirement in Chapter 280, § 10 that interexchange carriers provide notice to all affected customers of an increase to any rate at least 25 days prior to the increase taking effect.

Dated at Augusta, Maine this 5th day of November, 2002.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch

Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.